

BLUE SKY LAW REPORT UPHOLD BY N. Y. BROKERS

Governor's Commission Is
Praised for Plan to Halt
Stock Sale Frauds.

CROOKS' TOLL INCREASES

Despite Western Statutes In-
vestors Lose \$500,000,000
to \$700,000,000 a Year.

Most of the local dealers in negotiable securities concurred with the opinion expressed in the majority report of the committee appointed by Gov. Smith that "blue sky" laws to govern the sale and distribution of such securities, similar to laws in many Western and Middle Western States, will not do here.

Continued growth in the total of fraudulent stock transactions prompted Gov. Smith last September to appoint a committee of brokers, bankers and lawyers to study the situation. The report of the majority of the committee, which was published in THE SUN yesterday, was that laws requiring the filing of elaborate statements regarding the securities offered or the licensing of dealers could not be successfully applied in New York to stop the practices.

The committee's recommendation against the enactment of "blue sky" laws does not mean, however, that the fraudulent stock salesman or the fake promoter is unknown in this city. On the contrary, it indicates in its appeal for the establishment of a bureau under the direction of the Attorney-General of the State or of the State Banking Department that the number of such gentry is on the increase. It means, furthermore, that the committee has taken cognizance of the fact that despite the "blue sky" laws enacted in some States in an effort to meet a similar evil the total of fraudulent transactions has kept pace with it not exceeded the proportion until the annual total of losses incurred through such transactions is estimated by reliable authorities at anywhere from \$500,000,000 to \$700,000,000.

From a half dozen leading brokerage firms in the city—firms with standing and reputations—The Sun learned yesterday that by far the larger number of the smaller houses agree with the majority report as submitted to Gov. Smith, irrespective of whether their opinion was invited or not during the committee's deliberations.

Objections to "Blue Sky" Laws.

The objections to the adoption of "blue sky" laws framed along parallel lines with legislation in States where such laws obtain may be summed generally under two heads:

1. The demonstrated ineffectiveness of such laws to stop the evil in States where they are in force.
2. The tendency such laws have to discourage if not throttle entirely legitimate business enterprises.
Dealing with the objections to such legislation as it is understood, will be recommended by a minority of Gov. Smith's committee, brokers pointed out to THE SUN yesterday that it would undoubtedly prove a simple matter in New York State, as it has elsewhere, for a promoter unscrupulous enough to engage in a fraudulent stock flotation on a large scale to obtain a license to do business if the law required such an apparent guarantee of good faith by the State. The suggestion has also been made that the State should require the filing of elaborate statistics concerning the financial resources of companies issuing securities. Such a law, it was also pointed out, could not be expected to act as a deterrent to the wildest promoter, who, experience has shown, will not hesitate to file any kind of a return required.

With regard to the latter suggestion one prominent broker told THE SUN that when a similar method was under consideration some months ago by the Federal Trade Commission it was the opinion of several persons called that the cost of the necessary machinery, if the plan was to be at all effective, would run far beyond what would be warranted by the benefits to be derived. On that occasion, according to this broker, the suggestion was considered of requiring through Federal statute that complete statistics of every concern offering securities for sale should be filed in the post office of the principal city in every State where it was proposed these securities should be offered. It was at that time suggested that such a scheme would necessitate an appropriation to enlarge the offices in each capital city and provide staffs to supply the data on short notice to prospective investors.

Then, too, this broker pointed out, no amount of publicity or other apposedly confidential and reliable information would prevent the ignorant and uninformed investor from allowing his cupidity to get the better of him if once he was convinced by an affable and convincing salesman that he was to be let in on a good thing.

N. Y. Plan Cheaper and Better.

The New York committee's recommendation that legislation be enacted vesting power in the Attorney-General and the State Banking Department to investigate any kind of stock transaction is made with a view toward both economy and efficiency. It is argued by the brokers that with proper bureaus established to pursue this line and the same persistency invoked that, for example, maintains in the United States Secret Service far better results would be obtained than in any other way so far suggested.

With regard to the second group of objections, it is the belief generally of the large brokers in the city that more injury might accrue to legitimate enterprises through the establishment of "blue sky" laws than would be offset by the curtailment of frauds. In addition, would follow, the brokers say, a tendency toward blackmail.

Laws in the Province of Ontario were cited as an example. In Toronto is a weekly newspaper that devotes a department to discussions and criticisms of various securities. The information which the laws of the Province place at the disposal of the newspapers makes it possible, in the opinion of one prominent member of the New York Stock Exchange, for unscrupulous individuals in no way connected with the newspaper to blackmail rival or unfriendly concerns with a considerable degree of impunity.

"There is no aversion to publicity of the fullest sort regarding security issues," this broker said, "provided such publicity will not discourage legitimate business."

Instances were cited of several legitimate enterprises about to be floated in a small way in Western States where "blue sky" laws are in force. In some

cases the laws required the embryonic concerns to file detailed statements that would have at once disclosed valuable information to rival concerns before their own issues could legally be offered. In some of these cases THE SUN's informant stated investigation proved beyond doubt the value of the security and the promoters were told unofficially that they might go ahead without complying with all provisions of the drastic law.

Project Killed by Drastic Law.

"But if we do, and anything should go wrong, will we be relieved of responsibility under the law?" the promoter of one of the enterprises asked. He was informed he would not. As a result the enterprise failed of achievement, although, in the opinion of all concerned, there was every reason to believe that it would have been a financial success and would have brought profit to the investors.

One broker cited the case of Samuel C. Pandolfo of Chicago, former president of the Pan Motor Company of St. Cloud, Minn., recently convicted and sentenced to ten years for fraudulent stock transactions. Pandolfo sold something like \$10,000,000 worth of stock in an enterprise that had actual assets of about \$5,000. His case was referred to as one where "blue sky" laws failed entirely to protect his victims.

Pandolfo went into one middle Western State and when the State Securities Commission refused to give him a license to sell his securities he appealed to the Attorney-General of the State, who sent a representative to investigate his plant and enterprise. The fraud was with which the investigator was not caused him to file with the Secretary of State in the State that had denied Pandolfo a license an opinion that the Pan Motor Company was a source of concern and its securities as represented. Pandolfo obtained a copy of this opinion, had it printed on circulars that he sent broadcast into other States and as a result disposed of hundreds of thousands of dollars of worthless stock.

Swann Not Likely to Approve.

It is believed that District Attorney Swann will not wholly approve the majority report of the Governor's committee. It would be extraordinary if he did. O. K. it, or if turned into law it would virtually remove the investigation of commercial frauds from the District Attorney's office and give it to the State Banking Department and the Attorney-General, leaving the District Attorney to prosecute cases on evidence furnished him by State agencies.

The public officer who willingly surrenders any of his duties, onerous though they may be, is a rarity. Aside from this, judging from what Mr. Swann has said in the past, he will not find the recommendations of the majority report sufficiently drastic. He has advocated a licensing system and a law compelling all companies offering securities to make public every detail of the assets and prospects on which their reputed value is based.

It looks as though the minority report of the committee, which includes these two features, will be more to the District Attorney's liking. He was out of the city yesterday and no one at his office could speak for him. It was said, however, that Assistant District Attorney Kilroe was preparing a report for his chief on the legislation which he, from his study of 600 cases in the bureau of commercial frauds, thought necessary to protect the public against sharpers, and that Mr. Swann might make a public statement next week.

John T. Downing, another assistant who has been keeping an eye on stock fakers, remarked that new legislation would be incomplete which did not reach the unscrupulous salesman as well as the company that he represents. There have been many cases in which the company's literature was so bombproof, its printed optimism unimpeachable from the standpoint of the prosecutor under present laws, but the salesmen have gone out and sold the stock by lying their heads off.

Company Provides Loopholes.

Often when the victim complains to the company that the investment did not turn out as he was told it would the company is able to point to a life of fine type on each stock certificate saying that the salesman was not authorized to make any promises beyond those made by the company.

This lets the company out. As for the salesman, it is his word against his victim's, with no witnesses. At present anybody can be a stock salesman, no matter what his reputation or standing.

and many an ex-convict with a record stretching from Sing Sing to Joliet is selling worthless securities by means of an enticement that occurs to his active imagination.

World Shortage of Rubber and the Immense Growth of the Automobile Business Following the War Caused a Swarm of New Tire Companies to Spring Up.

Somewhere found a way of prolonging the life of a tire by retreading it. Investors made big money. Instantly other tire retamping companies were formed whose only purpose was to get rid of a lot of stock while the public was interested.

When F. W. Woolworth died and the extent of his fortune became a subject of conversation swindlers turned to chain stores, and even now are guilting investors into throwing money into enterprises which have neither the capital, management nor salesmanship to make them go. The country goes dry; much is heard of the enormous amount of sweets that will be consumed by ex-tanks. Bona fide candy companies enlarge their businesses, new ones are formed, and in their train come the swindlers, shouting out how much there have made out of confectionery as a substitute for rum, predicting similar prosperity for themselves, and gathering in the widow's mite as well as the gambler's roll.

Only the Stock to Be Sold.

With winter approaching, the miners went on strike and coal became dear. Whichever natural than that the public should be interested in some magic fluid that will turn last year's ash heap into fuel? A company is formed to exploit the secret formula and sell—the fluid? Dear no; no stock in the company. The company follows its variations. Mines, oil wells and the like, of course, we have always with us.

Whatever may be the final verdict on the report of Gov. Smith's committee, there is no doubt that the laws of New York State are now about the easiest in the Union as regards opportunities for swindlers to make money out of the pockets of the public. The law has been so framed that it will turn last year's ash heap into fuel? A company is formed to exploit the secret formula and sell—the fluid? Dear no; no stock in the company. The company follows its variations. Mines, oil wells and the like, of course, we have always with us.

Public officers say that lack of laws or of teeth in present laws hampers them. They contend there is nothing in the State of New York to prevent a man from buying a second hand meat chopper for \$5, giving a chattel mortgage for it, forming a company, capitalizing the chopper for \$1,000,000 and selling the stock to the public.

U. S. Consul-General Resigns.

WASHINGTON, Dec. 26.—E. Carlton Baker of Alameda, Cal., American Consul-General at Mukden, has resigned to return to the United States and enter business. Mr. Baker recently was ordered transferred to Bombay, but chose to retire to business. He has been in the consular service almost since 1906.

GIVE SWANN FACTS, GOVERNOR BIDS JURY

District Attorney Blameless,
So Far as He Knows, Is
Reply to Plea.

REFUSES NEW COUNSEL

Investigators Have Not Legal
Power to Choose Their
Own Adviser.

ALBANY, Dec. 26.—If the Extraordinary Grand Jury of New York county is sincere in its contention that a public official of New York city has been guilty of an "overshadowing crime," and that therefore it cannot work in cooperation with District Attorney Swann, it must "show" Gov. Smith by the presentation of actual evidence.

In a letter forwarded to-day to Raymond F. Almira, foreman of the jury, Gov. Smith points out that one law of the State makes Mr. Swann the jury's adviser, and another law provides for his removal upon cause shown; but that there is no law clothing a Grand Jury with power to select its own adviser and no other law permitting the Governor to supersede it will the one the law has appointed.

The Governor insists that the jury has not indicated its possession of any evidence reflecting on the District Attorney. He promises to remove Mr. Swann if his unfitness can be shown, but says that if there is no evidence against him the enforcement of law in New York county requires his prompt exoneration.

In his letter to the Grand Jury the Governor says: "I have no legal power as Governor to appoint counsel for you. The proper course for me to follow is the one clearly indicated by the statutes of this State."

"These statutes provide that the District Attorney shall be the adviser of the Grand Jury. They give the Governor power to supersede him by designation of the Attorney-General under certain specific conditions which, in my opinion, have not been met."

The law provides that when a District Attorney has been faithful to his trust or guilty of improper conduct, he may be removed by the Governor on charges. If you believe from information in your possession that the District Attorney of New York county has been guilty of conduct so serious as to justify you in excluding him from the performance of his legal duty as your adviser, I invite you to lay the facts before me.

"The more I have studied the controversy which has arisen between you and the District Attorney, the more I am persuaded that the real issue first to be determined, is whether or not he is

faithfully performing the duties of his office. If you can lay before me any evidence to the contrary, and such evidence is sustained to an extent warranting such action, I shall remove the District Attorney. If, on the other hand, I find that the evidence does not sustain your conclusion, respect for the enforcement of law in New York county requires the prompt exoneration of the District Attorney."

Mr. Swann is taking a Christmas vacation at Suffern, N. Y., and Mr. Almira is in Pittsburgh. Neither of them would make any comment on the Governor's letter last night.

NICKEL PLENTY, SAYS DETROIT TROLLEY CO.

Withdraws Request for One
Cent Transfer Charge.

DETROIT, Dec. 26.—The Detroit United Railways to-day withdrew a request that it be permitted to make a charge of 1 cent for transfers, stating that because of improvement in conditions affecting its operations it now finds itself able to operate profitably on a flat 5 cent fare.

The company's insistence that it be allowed to charge for transfers figured last summer in a three-cornered controversy that precipitated a four days' suspension of street car service. The company held that it could not meet demands of its men for increased wages without the addition of \$1,000,000 in annual revenue that would result from the penny transfers.

Authorization of the transfer charge was refused by the City Council. An agreement was finally reached whereby a survey of the company's books for a certain period was to determine the necessity for increased revenue.

The company also announced to-day that it hoped to make track and equipment improvements costing \$15,000,000 without increasing the present rate of fare.

"FIRST WIFE" SEEKS CARROLL ESTATE

Alleges She Married Horse
Dealer in 1877.

Mrs. Catherine Carroll of 7 East 170th street, Manhattan, who asserts that she is the widow of Kerman F. Carroll, who before his death on December 4 was connected with Floss, Dorr & Carroll, horse-dealers, will file papers with the Surrogate of Queens County to-day asking that she be named as administratrix of the estate. Letters of administration have been obtained by Mary F. Carroll of 127 East Ninetieth street, Manhattan, as the widow.

Carroll's estate is said to be large. He was left \$50,000 in trust by his brother, Joseph D. Carroll, the millionaire horseman, who died nearly two years ago.

Mrs. Catherine Carroll asserts in the papers that have been prepared that she was married to Carroll on August 2, 1877, in St. Michael's Church, Manhattan, by Father Donnelly. They separated in 1883, she says, while living in Troy. She says she saw him frequently thereafter and that last June he gave her a horse. She asserts there was no divorce.

LAYS HIGH TAXES TO STATE'S EXPANSION

Travis, Comptroller, Says
People Demand Increasing
Expenditures.

As long as the people continue to press for the extension of the State's activities to affairs that give its administration the character of modified Socialism, taxes will continue to increase and add to the cost of living, said Eugene H. Travis, State Comptroller, in a discussion of taxation problems yesterday. During two decades this increase has been from \$21,000,000 to \$95,000,000. Requisitions for inclusion in next year's budget total over \$141,000,000, with only \$123,000,000 available.

"There has been a noticeable trend toward Governmental regulation of many activities that were regarded as exclusively matters for private concern," said the Comptroller. "Originally the principal functions of Government here in New York were protection of life and property and the agents were military organizations, the police and firemen, and the courts."

"Gradually these functions have expanded until to-day they are interpreted to include conservation of national resources, supervision and regulation of transportation and other public utilities, financial institutions, labor and numerous commercial and industrial activities."

"The expansion of governmental functions has been marked in this State. The constitutional office remains the same as when instituted in 1777 but there has been a tremendous increase in the number of administrative boards and commissions."

"Whether the heavy expenditures are justified is a matter for the people to determine. That some retrenchment could be brought about without impairing efficiency is probably true, but if the duties and functions of the State Government continue to expand expenditures will continue to grow."

"Not a few people denounce high taxes

and yet urge legislators to support measures calling for increased appropriations. During political campaigns protest is made against increasing tax burdens, yet it frequently happens that when the protestants are put in office they find themselves unable to stem the tide of growing expenditures that is caused by expanding government."

NEBRASKA HONORS PERSHING.

Crowds Attend State Reception
Held in Lincoln.

LINCOLN, Neb., Dec. 26.—An "All Nebraska" reception for Gen. John J. Pershing was held to-night at the State Capitol, attended by a large crowd of Lincoln people and many visitors from over the State. It was to give the public generally an opportunity not afforded at the more exclusive functions to meet Gen. Pershing.

In the receiving line with the General were Gov. McKelvie and Mayor Miller of Lincoln, together with a number of Mayors from other towns in the State.

Earlier in the day Gen. Pershing was the honor guest at a luncheon given by a merchants' club. To-night's reception was informal.

DOWLING TABLET SET UP.

Memorial Placed in Appreciation
of Former Borough Head.

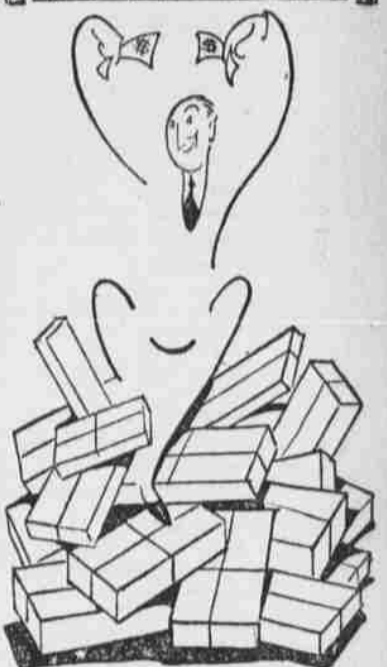
There has been set up on the twentieth floor of the Municipal Building a bronze tablet in memory of Frank L. Dowling, who for many years was in the service of the city.

The inscription on the tablet, which is at the main entrance to the office of the Borough President, reads: "In memory of Frank L. Dowling, President of the Borough of Manhattan, died September 27, 1919, in the service of his fellow citizens."

"His life was gentle, and its elements so mixed in him that nature might stand up and say to all the world: 'This was a man.'"

"This tablet is erected by his co-workers in token of their lasting appreciation, 1919."

Macy's
Herald Square, Broadway,
44th to 53rd St.
We Sell Dependable
Merchandise at Prices
Lower Than Any Other
Store, but for Cash Only
Store hours 9 to 5:30



RESCUED!

Your Christmas check from the firm is safe, for you did not get it in time to spend it on your wife's second cousin's brother-in-law or anybody equally near the end of that long, long Christmas list—

And that's why,

After having given "everybody in the world" something more concrete than a Christmas greeting you may once more experience that out-of-season thrill of giving yourself something! Just take stock and see what it is folks overlooked in their many gifts to "the man with the checkbook."

No one bought you a suit—

And—yes, you could stand a new one. Suits that will fit your personality as well as your purse and tailored from a groundwork of superior, all-wool fabrics. Correct styles and prices lower than those of other good shops.

\$29.75 to \$64.75
Overcoats \$29.75 to \$109.00
Macy's—Fifth Floor, Front.

And they forgot about shoes—

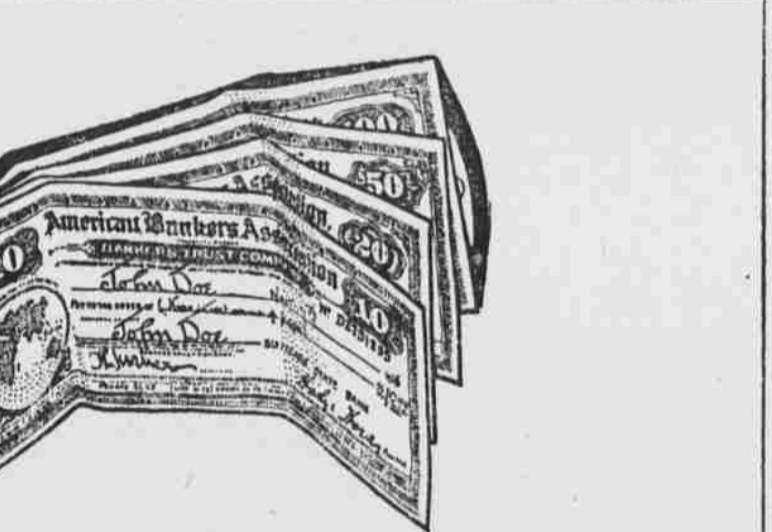
and so have you—Look, you're down at the heel, a condition you'd not experience to save your sole! Rich tan calfskin, and a comfort affording last which does not sacrifice smartness are combined in a shoe at \$9.89. These are not to be confused with the shoes at similar prices you've seen in the other shops 'round town.

And for the many After-Christmas-Before-New-Year's functions

A pair of patent colt oxfords—the tipless kind worn "everywhere after 6 P. M." A trim last and expert workmanship combine to make this a desirable shoe. You'll be surprised when you see this oxford at so modest a price— \$8.49

Macy's—Main Floor Balcony, 35th Street

LISTERATED GUM
Wrapped air-tight in wax paper—Kept clean and fresh.
LISTERATED GUM



WHILE WAITING TO SEE EUROPE SEE AMERICA

FEW pleasure tourists can be accommodated in Europe at present and conditions of travel and entertainment there are far from ideal.

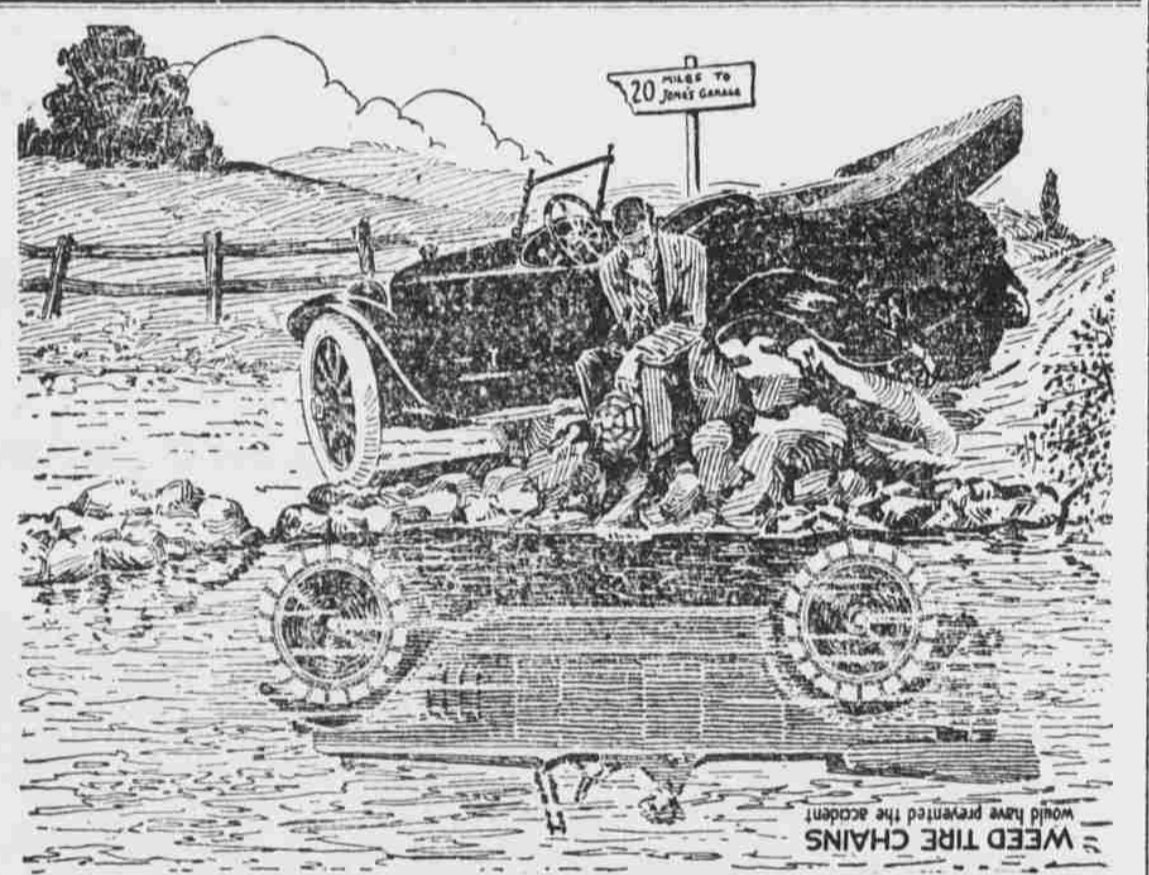
AMERICA'S wonderful resorts of scenic beauty and luxurious modern appointments are wide open to welcome those who are seeking recreation and entertainment.

SEE AMERICA NOW and Europe Later
Wherever you go, take

"the BEST funds for travellers"

"A.B.A." American Bankers Association Cheques

You can obtain these safe, convenient, universally accepted "A.B.A." Cheques at most any important bank in the United States and Canada. Write for full information to Bankers Trust Company, New York City.



Reflections— After the Skidding Accident

Reflections, that show Weed Tire Chains as the only real dependable device for the prevention of skidding, do not come to motorists until their bare rubber tires skid and carry them upon the rocks of disaster.

How strange it is that some men are never guided by the experience of others, never take the lesson home to themselves until too late.

They read the newspaper accounts of disastrous skidding accidents caused by lack of Weed Tire Chains but they do not heed the warning.

They wait until the skidding of their own bare tires results in death, injury or car damage before they realize that tires are safe on wet-slippery-skiddy roads only when encased in Weed Tire Chains.

Weed Chains on Your Tires
Reflect Your Prudence and Intelligence

Weed Chains are also made to meet the demand for an efficient traction and anti-skid device for trucks equipped with single and dual solid tires or with the very large pneumatic tires. They are so constructed that they satisfactorily meet the requirements of heavy truck service in mud, sand or snow.

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Largest Chain Manufacturers in the World.
The Complete Chain Line — All Types, All Sizes, All Finishes —
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District Sales Offices:
Boston Pittsburgh Chicago Portland, Ore. Philadelphia San Francisco



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Prevents Greyness and Faded Hair
Keeps Scalp Healthy
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